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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [IZ](#) [IR](#)
SUBJECT: MUTHANNA: IRANIAN MFA POSSIBLY BEHIND IRON FACTORY
INVESTMENT NEGOTIATIONS

REF: A. BAGHDAD 152
[B](#). 08 BAGHDAD 3492

Classified By: PRT Team Leader Brad Lynch for reasons 1.4 (b) and (d).

(U) This is a PRT Muthanna Reporting Cable.

[1](#)1. (S/REL MCFI) Summary: A delegation of Iranian investors came to Muthanna province in January to continue negotiations for an 81 million USD iron plant. According to Haider al-Musawi, a local political adviser for the PRT, the Iranian delegation was largely comprised of former, and possibly current, representatives from the Iranian Ministry of Foreign Affairs. End Summary.

Former Iranian MFA Staff in Delegation

[1](#)2. (S/REL) The Iranian Semh company came to Muthanna's provincial capital of Samawah on January 11 to continue negotiations on an 81 million USD iron plant. Mojtaba Hashmi, the Chairman of the Board of the Semh company, led the delegation. According to Haider al-Musawi, a local political adviser for the PRT, most of the delegation was comprised of former, if not current, staff of the Iranian Ministry of Foreign Affairs. While the other members of the delegation were not identified, one was said to be formerly stationed at the Iranian Embassy in Bahrain.

Local Sheikh Working as the Middleman

[1](#)3. (S/REL) The meeting was facilitated by Sheikh Abdel Elah Fahim Kamal al-Farhood, leader of the locally influential Bani Zraige tribe. (Note: He was one of two sheikhs who spoke at a PRT-funded iftar in September 2008. End note.) According to the PRT's source, the Iranian delegation first met at the sheikh's guest house to discuss the investment, and then traveled to Samawah for the public appearance/photo op. Sheikh Abdel has traveled to Iran on a number of occasions to help facilitate this investment, and the PRT's source indicated that sheikhs who visit Iran for this purpose are often given free accommodations and travel as a way for Iranian officials to curry favor with locally influential Iraqis.

[1](#)4. (S/REL) The official Iraqi partner for the project will be Ahmed Farhood al-Kamal, a relative of Sheikh Abdel, who was also at the meeting. According to the Muthanna Provincial Investment Commission (PIC), Ahmed will be drafting a feasibility study for the project and filing the appropriate legal paperwork needed to license the project. The PIC Chairman believes that the project may be licensed within the next several weeks.

More Project Details Emerge

[1](#)5. (C/REL) Previous PRT reporting (Ref B) questioned the feasibility of the iron plant project, given the relatively

small investment of 81 million USD. Subsequent PRT discussions with the Muthanna PIC revealed that the plant will be limited in size and scale. The plant will not process iron from ore; rather, it will be a "mini mill" that will melt down scrap metal for reprocessing into simple rebars for construction purposes. The final capacity will be between 250,000 and 500,000 tons per year, and the investment will include a power plant to generate the required electricity to run the facility. The PRT's industrial adviser now believes that the investment will probably be sufficient, given the size and scale envisioned. The plant will be located on Highway 6, also known as Route Tampa, north of Samawah.

Comment

¶6. (S/REL) Iraqi officials generally welcome Iranian and other foreign investment in their efforts to rebuild Iraq's industrial base, and Iranian companies have sought these investment opportunities eagerly (ref A). Profit is not the only Iranian incentive, however. The presence of former or Qonly Iranian incentive, however. The presence of former or current Iranian officials among these investors suggests that the plant is part of a broader Iranian government strategy to increase economic and political influence in Iraq. Since patronage is the social currency of this part of Iraq, the PRT believes that continued Iranian economic influence will sway friendly or pliable local leaders and therefore be effective. The USG should continue to encourage investment here from the Gulf and elsewhere to balance Iranian influence. End Comment.
CROCKER